



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Chief Executive Officer

September 27, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai 
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

AFFORDABLE HOUSING BUDGET (ITEM NO. 22, AGENDA OF OCTOBER 27, 2015)

Background

On October 27, 2015, the Board of Supervisors (Board) adopted a Motion (Motion) by Supervisors Sheila Kuehl and Mark Ridley-Thomas that included, among other things, a directive to the Chief Executive Officer (CEO) to report back during Supplemental Budget with the following:

- A multi-year plan to provide new funding that is not already allocated for homelessness or housing programs for the Affordable Housing budget unit that includes the identification of \$20 million of funding in Fiscal Year (FY) 2016-17, and recommended ways to increase annual funding by \$20 million per year in each of the subsequent four fiscal years to a maximum annual allocation of \$100 million per year by FY 2020-21; and
- A recommendation from the Affordable Housing Executive Committee (Executive Committee) on FY 2016-17 funding allocations for the 75 percent of the Affordable Housing budget unit that is dedicated to the creation and preservation of affordable housing.

In addition to the Motion by Supervisors Kuehl and Ridley-Thomas, the Board also discussed a Substitute Motion by Supervisor Knabe, which included recommendations related to the use of future redevelopment residual property taxes. This memorandum serves as the CEO's report back in relation to the adopted Motion and the Board's discussion related to the proposed Substitute Motion.

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Funding Plan for the Affordable Housing Budget Unit

The CEO has identified \$20 million of funding in support of affordable housing. The initial \$5 million of funding was approved as ongoing Net County Cost (NCC) in connection with the Final Changes budget adjustments on June 27, 2016. The remaining \$15 million of funding is included in the Supplemental Budget, and consists of \$10 million in one-time funds, and \$5 million of available fund balance. The \$10 million is derived exclusively from redevelopment dissolution and relates to a combination of pass-through deferral repayments, non-housing due diligence review (DDR) funds, low and moderate income housing (LMIH) funds, and various excess proceeds from former redevelopment agency bond financings. It does not include any funds associated with asset sales of the former redevelopment agencies.

The longer-term funding plan for the Affordable Housing budget unit will be developed in accordance with the Board's objective of delivering \$40 million of funding in FY 2017-18, \$60 million in FY 2018-19, \$80 million in FY 2019-20, and \$100 million in FY 2020-21 and each year thereafter. Consistent with the Motion, the CEO's funding plan will take into consideration the use of redevelopment residual and one-time dissolution funds, as well as the potential leveraging of Mental Health Services Act (MHSA) funding.

The uncertainty that exists with respect to future funding sources will require the CEO to remain flexible in its use of one-time monies, ongoing NCC, and available fund balance. The long-term objective is to fund the entire \$100 million from a combination of the following ongoing and one-time sources:

- Ongoing NCC, to the extent available;
- One-time NCC, to the extent that additional fund balance is available;
- Potential one-time or ongoing revenues from approved ballot measures;
- Outstanding redevelopment LMIH and DDR funds, which are one-time in nature;
- Proceeds from pass-through deferral repayments, which may extend over a period of several years;
- MHSA funding, including the potential leveraging of the State's "No Place Like Home" bond initiative;
- External funding sources such as State and federal grants, philanthropic donations, and private matching funds, to the extent such monies are directly under the control of the County;
- County land contributions, which will equate the value of the property with a cash contribution to the Affordable Housing budget unit.

In considering ongoing NCC, one potential component of this funding source will be the use of residual property tax proceeds from redevelopment dissolution. As referenced in the discussion related to Supervisor Knabe's proposed Substitute Motion, redevelopment residual could provide a sustainable and ongoing funding source for the Affordable Housing

budget unit. The CEO will continue to examine this funding option in future budget years. Additionally, the CEO's long-term objective will be to fund no less than 75 percent of the annual Affordable Housing budget from ongoing revenues.

Recommended Funding Allocation for FY 2016-17

The Motion directed that a minimum of 75 percent of the Affordable Housing budget unit be dedicated for the production of new, or preservation of existing, affordable housing for very and extremely low-income or homeless households, including workforce housing and permanent supportive housing. The Motion further directed that the remaining funds will be reserved to support rental assistance, rapid re-housing, shared housing, move-in assistance, and other related services. The Executive Committee established as a result of the Motion was given responsibility for recommending, through the CEO, the funding allocation for the Affordable Housing budget unit.

On July 20, 2016, the Executive Committee met and took action to recommend that \$15 million of the FY 2016-17 budget be directed to the Community Development Commission (CDC) in support of their Notice of Funding Availability (NOFA) program. More specifically, \$13.8 million will be applied directly to one or more NOFAs, while \$1.2 million will be utilized by the CDC for administrative expenses. The \$1.2 million allocation is consistent with the Motion's instruction that up to 8 percent of the Affordable Housing budget unit be made available for County and CDC administrative expenses. The total amount of \$15 million given to the CDC represents the 75 percent of the Affordable Housing budget that is dedicated to the production and preservation of affordable housing in FY 2016-17.

The 25 percent of the Affordable Housing budget that is not dedicated to capital programs will be applied predominantly to the County's Homeless Initiative. As part of the Board's approval of the CEO's Homeless Initiative recommendations on February 9, 2016, \$4.6 million of funding from the Affordable Housing budget unit was designated to programs that include rapid re-housing, housing subsidies, homeless prevention and various related services. The remaining \$400,000 of affordable housing funds in the FY 2016-17 Final Adopted Budget will be used for County administrative expenses, including the procurement of a consultant to prepare the Annual Affordable Housing Outcomes Report.

As provided for in the Motion, funding allocation recommendations for future budget years will continue to be the responsibility of the Executive Committee, and will be presented to the Board by the CEO as part of the Supplemental Budget phase. In its annual recommendations, the Executive Committee will consider both the capital and non-capital components of the Affordable Housing budget unit and will provide an explanation regarding how geographic variables were assessed in relation to any proposed funding allocations. For FY 2016-17, the only relevant geographic considerations are those contained in the NOFA managed by the CDC.

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If you have any questions regarding this report, please contact Doug Baron of this Office at 213-974-8355, or dbaron@ceo.lacounty.gov.

SAH:JJ:DPH
DSB:acn

c: Executive Office, Board of Supervisors
 County Counsel
 Community Development Commission